

OGC HAS REVIEWED.

2 July 1951

MEMORANDUM FOR: ADD/Administration (Special)

SUBJECT: Staff Appointments and
Conflicts of Interest

REFERENCE: Memorandum from Chief, FDR,
to ADSO, dtd 5 June 1951

1. The reference memorandum sets forth in detail a problem which was referred to this office for study of the legal aspects. We have gone into the matter very carefully with the Chief, Staff B, and the Chief, FDR.
2. In essence, the proposal is to give a staff appointment to an individual who has been cooperating with OSO by providing cover and other assistance through commercial organizations he controls. The staff appointment would be in lieu of return to active Naval duty by the individual, and arrangements would be made to have his commercial organizations continue under the control of a new manager to be cleared for OSO purposes and for the subject to continue his financial interest in these organizations.
3. I see no clear-cut legal objection and believe the only further point for consideration is the possibility of criticism of the individual and of the Agency under circumstances such as these. For this criticism to arise, it would be necessary for an unfriendly critic to have access to all the facts. If this occurred, the unfriendly critic could charge that through personal relationships, a person being recalled to active duty in the Navy, which recall would force him to liquidate his commercial interest, was saved by CIA from being called up, was then given a Government job and at the same time was able to have his commercial interest protected. I believe the probability of such charges to be remote, but even if they were made, I believe they can be adequately answered provided the relationships are clearly established in advance and the policy and administrative determinations are carefully recorded.

4. If ADSO determines that the subject's services are required as a staff employee and at the same time his commercial cover is essential to SO operations, I believe we can so establish the relationships as to forestall criticism in the future.

5. The plan is submitted to you for consideration in view of the Agency policy aspects properly raised by the Chief, FDR, and the Chief, Staff B, OSO.

LAWRENCE R. HOUSTON
General Counsel

Attach: Memo to ADSO fr
Chief, FDR, dtd 5 June 51

OGC:LRH/mls

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2 - Legal Decision
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